

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 IGA-01

COME-00 FEAE-00 XMB-02 AGR-05 CIAE-00 DODE-00 INR-07

NSAE-00 PA-01 USIA-06 PRS-01 /073 W

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R 241506Z JAN 75

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 9140

INFO AMEMBASSY CARACAS

AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

LIMITED OFFICIAL USE TEGUCIGALPA 0348

GUATEMALA ALSO FOR ROCAP

E.O. 11652: N/A

TAGS: PFOR, EFIN, XK, VE

SUBJECT: VENEZUELAN LINES OF CREDIT FOR HONDURAS

REF: CARACAS 12166, GUATEMALA 6854, STATE 282966

1. IN CONVERSATION WITH GUILLERMO BUESO OF THE CENTRAL BANK
ECONOFF INQUIRED ABOUT VENEZUELAN PROGRAMS AFFECTING HONDURAS.
BUESO RESPONDED THAT A LINE OF CREDIT (ESSENTIALLY IN FORM
REPORTED BY CARACAS REFTL) HAS BEEN INITIALED. THE TOTAL
VALUE OF THE AGREEMENT WOULD EXCEED \$100 MILLION OVER THE
NEXT SIX YEARS. AN INTEREST RATE EQUAL TO THE NORMAL
OPERATING FUNDS CHARGED BY THE INTERAMERICAN DEVELOPMENT
BANK WOULD BE CHARGED FOR DEPOSITS MADE. THESE DEPOSITS
WILL BE MADE AT APPROXIMATELY ONE-HALF THE COMMERCIAL COST
OF VENEZUELAN CRUDE OIL. BUESO SEEMED NOT GREATLY CONCERNED
ABOUT ASSUMING A BOLIVAR OBLIGATION, UNDER CIRCUMSTANCES IN
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WHICH HONDURAS EXPORTS TO VENEZUELA ARE MINIMAL AND WITH ONLY

PROSPECTS FOR SLIGHT IMPROVEMENT IN THE FUTURE. BUESO, HOWEVER, WAS SENSITIVE TO THE POSSIBILITY THAT THE DEPOSITS MADE UNDER THE PROGRAM COULD BECOME PART OF GENERAL BUDGETARY DISBURSEMENTS. HE STATED THAT THERE WAS NO OTHER SOURCE FOR SUCH QUANTITIES OF CAPITAL ALTHOUGH HE EXPRESSED THE OPINION THAT VENEZUELA WAS OBVIOUSLY NOT DOING ANYBODY A FAVOR.

2. BUESO STATED THAT NEGOTIATIONS CONCERNING THE COFFEE AGREEMENT, INsofar AS THEY CONCERN HONDURAS, ARE COMPLETED. VENEZUELA IS TO FINANCE WITHHOLDING OF COFFEE FROM THE WOULD MARKET WHILE HONDURAS IS TO BE PERMITTED FOR SOME UNSTATED PERIOD OF TIME, TO EXPORT ALL ITS PRODUCTION.

3. A \$15 MILLION AGRICULTURAL SECTOR LOAN FROM VENEZUELA WILL REQUIRE MUCH PREPARATION, BUESO STATED. PROJECTS AND PROPER UTILIZATION OF THE FUNDS TOWARD PRODUCTIVE USES WILL NEED TO BE IDENTIFIED. BUESO HAD NO EXPECTATION AS TO WHEN THIS PROCESS MIGHT BE COMPLETED.

4. COMMENT: THE ASSUMPTION OF LARGE FUTURE OBLIGATIONS IN BOLIVARS HAS APPARENT DANGERS. MAJOR HARD CURRENCIES ARE FLOATING AND THE PROSPECTS FOR AN UPWARD REVALUATION OF THE BOLIVAR AS A RESULT OF EXCEPTIONAL PETROLEUM INCOME MUST BE SEEN AS PROBABLE. THE COFFEE ARRANGEMENT IS A NO-COST, NO-COMMITMENT ITEM FOR HONDURAS. THE \$15 MILLION AGRICULTURAL CREDIT COULD BE VALUABLE IF SUITABLE PROJECTS CAN BE IDENTIFIED AND IF IT DOES NOT HAVE THE EFFECT OF DISPLACING LOWER COST CREDITS AVAILABLE FROM OTHER SOURCES.
SANCHEZ

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